THE CAMBRIDGE STATISTICS DISCUSSION GROUP

Thursday 27th February 2020 7:15 for 7:45

The Lightfoot Room
Divinity School
St John's College
St John's Street, Cambridge CB2 1TP

Invoicing and Pricing-to-market: Evidence from UK Exports/Imports Transactions

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Abstract: We document that, while the share of the pound and vehicle currencies are stable over time in the aggregate, at a granular level UK exporters invoice in more than one currency---even for the same product in a given destination---, and switch between invoicing currencies. We provide evidence that a firm's choice of invoicing currencies matters for exchange rate pass through and markup adjustment. We show that, in response to the large sterling depreciation after the Brexit referendum, exchange rate pass-through was very high for UK exports invoiced in sterling, but near zero for exports invoiced in a vehicle or in local currency. These differences narrow in four to six quarters, as export prices aligned with the weaker pound. Econometric evidence suggests that destination specific markup adjustment (i.e., pricing to market) is systematically associated only with transactions invoiced in local currency---not with transactions invoiced in pounds sterling or vehicle currencies.

Speaker: Meredith A. Crowley is a Reader in International Economics and Fellow of St. John's College at the University of Cambridge, as well as Research Coordinator at Cambridge-INET Institute. She is a Senior Fellow of the think tank UK in a Changing Europe (UKCE), a Research Fellow at the Centre for Economic Policy Research (CEPR - London), a member of two advisory panels at the UK Department for International Trade, and a member of the National Food Strategy advisory panel at the UK Department for Environment, Food, and Rural Affairs . Her research focuses on international trade, multinational trade agreements, and trade policy. Dr. Crowley received her MPP from Harvard University and her PhD in Economics from the University of Wisconsin-Madison. Her publications include "Self-Enforcing Trade Agreements," (*American Economic Review*, 103(2): 1071-90, 2013), with Chad Bown, and the edited volume, *Trade War: The clash of economic systems endangering global prosperity*, London: CEPR Press, June 2019**.**

Directions: The Divinity School is the old building opposite St John's College on St John's Street. Go down the alley situated on the opposite side of St John's Street to St John's Great Gate. The Lightfoot Room is entered via the first door on your left. The nearest car park is at Park Street. Arrivals after 7-45pm may gain admittance by contacting the secretary on 07761769436.

Provisional Next Meetings:
7th May – Allègre Hadida (Judge Business School).
6th October – Rod Jones (Chemistry).
November – Andrea Manica (Zoology).
Supper: Some members eat regularly in the University Centre before each meeting **at 5-45pm**. All welcome !
Subscriptions: of 1 pound are now due for attending the 2019-2020 session.
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Slides and .mp3 files of old talks: http://www.mrc-cbu.cam.ac.uk/people/peter.watson/csdg.html